



Shell Canada Projects 2006 Spending to Reach \$2.7B

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Athabasca Oilsands Expansion for 2006

Shell Canada unveiled an investment program for 2006 that totals approximately \$2.7B. According to Clive Mather, Shell Canada's president and CEO, the 2006 plan will launch Shell on a significant expansion phase with the potential to increase production by more than 50 percent by the end of the decade.

Shell Canada expects to spend \$1.1B, or about 40 percent of their 2006 budget, on oilsands opportunities. \$580 million will be allocated for Shell's first Athabasca Oil Sands Project (AOSP) expansion that is expected to increase production by 100,000 bbl/d. Construction is expected to begin in late 2006 upon regulatory approval and final investment decision. An additional \$385 million will be spent on AOSP operations initiatives, and the remaining oilsands budget will be pumped into the Peace River projects.

Shell anticipates that its total investment program may reach \$17B over the next five years.

Canada's Oilsands

Capital spending in Alberta's oilsands reached \$6.2 billion in 2004, and in 2005 it is expected to reach \$11 billion. Industry analysts are calling for dramatic growth in the oilsands as the decline in conventional oil and gas projects continues. Alberta Energy officials predict capital spending between 2005 and 2020 to reach well over \$100 billion.

The U.S. is by far Canada's largest customer when it comes to export of crude oil and refined products. Over the next 20 years, U.S. demand is forecast to rise significantly, requiring increased oil imports. Currently the oilsands are producing over 1,000,000 barrels per day (bpd) and with the existing level of investment the flow should reach 3.3 million bpd by 2015.

Specialists suggest that sectoral demand for equipment and services will see a steady increase in

real terms of about 4% annually through 2006. This growth will meet the demand offered by the many major projects proposed over the next 15 years.

Opportunity for U.S. Manufacturers

Opportunities abound in Canada's oilsands sector. With major projects through 2020 valued at over \$100 billion, U.S. companies should approach project managers and engineers during the early stages of specification. U.S. companies supply over 90% of the import market for oil and gas equipment and services. Most is large machinery and equipment purchases by major oil and gas producers.

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(drafted A. Willness W. Balla)

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